# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:2129
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CREDIT TO MSMES
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**Will the Minister of FINANCE be pleased to state:**

(a) Whether in the absence of concessional credit facility to Micro, Small and Medium Enterprises (MSMEs) entrepreneurs have to take resort to seeking loans at higher rates;

(b) If so, the details thereof;

(c) Whether the lack of concessional credit affects the financial and commercial viability of MSME industry;

(d) If so; the details thereof;

(e) Whether the Micro Finance Institutions (MFIs) in the country have been integrated with Small Industries Development Bank of India (SIDBI) to facilitate easier availability of credit to MSME; and

(f) If so, the details thereof along with the measures taken/being taken by the Government to speed up the process of sanctioning of loans by banks to the MSME?

## Answer

FINANCE MINISTER (SHRI ARUN JAITLEY)

(a)to(d): RBI had deregulated the interest rates on advances sanctioned by Scheduled Commercial Banks. As per the new guidelines on the Base Rate System issued on April 9, 2010, which have come into force with effect from July 1, 2010, banks determine their actual lending rate on loans and advances with reference to the Base Rate.

However, availability of capital subsidy operated by various Ministries of Government brings down the effective cost of borrowing for MSMEs viz. Credit Linked Capital Subsidy Scheme (CLCSS) [Ministry of Micro Small and Medium Enterprises], Technology Upgradation Fund Scheme for Textile Industry (TUFS) [Ministry of Textiles], Integrated Development of Leather Sector Scheme (iDLSS) [Ministry of Commerce & Industry], Scheme of Technology Upgradation/Setting up/ Modernization / Expansion of Food Processing Industries (FPTUFS) [Ministry of Food Processing Industries] and Technology and Quality Upgradation (TEQUP) Scheme [Ministry of MSME] to encourage MSMEs in adopting modern/energy efficient technologies.

Further, SIDBI as refinancing institution with refinance accounting for about 80% of Bank`s portfolio, provides refinance support to eligible Primary Lending Institutions (PLIs), such as, banks, State Financial Corporations (SFCs) for onward lending to MSMEs. SIDBI, alongwith Dun & Bradstreet (D&B) and several Public and Private Sector banks, has set up the SME Rating Agency of India Ltd. (SMERA) in September 2005, as an MSME dedicated third-party rating agency to provide comprehensive, transparent ratings to MSMEs which provide comfort to the lenders channelizing increased funds flow to the MSME sector and also enable the lenders to differentially price their financing depending on the credit rating obtained by the MSME unit. SMERA`s rating fees are subsidized for all eligible SSI units to the extent of 75% by National Small Industries Corporation (NSIC) under the scheme of Ministry of MSME. SMERA has achieved considerable success in rating 27,756 MSMEs as on March 31, 2014 of which Micro and Small Enterprises constitute more than 98%.

(e)&(f): SIDBI provides credit support to Micro Finance Institutions(MFIs) which are generally registered as Societies, Trusts, Section-25 Companies, NBFCs, Co-operative Societies, etc. for onlending to poor beneficiaries.

The cumulative assistance including loans, equity and quasi-equity sanctioned under SIDBI`s micro finance initiatives upto March 31, 2014 aggregated about Rs.9,300 crore, while cumulative disbursements aggregated nearly Rs.8,100 crore.

SIDBI assistance through 144 MFIs SIDB! has benefited around 326 lakh disadvantaged people, most of them being women.

Subsequent to the announcement of the Union Budget 2012, the `India Microfinance Equity Fund` of Rs. 100 crore was set up by the Government of India with the primary emphasis of providing equity and quasi equity to smaller MFIs to help them maintain growth and achieve scale and efficiency in their operations. A further allocation of Rs.200 crore has been made to the !MEF in the budget for FY 2014.

To speed up the process of sanctioning loan to MSMEs, Government have taken various measures which inter-alia include:

(!) Electronic tracking of MSE loan applications,

(ii) Banks to adopt IBA approved Common Application Form for loans upto Rs. 25 lakhs.

(ii) PSBs have been advised to operationalise at least one specialized MSE branch in every district and centre having a cluster of MSE enterprises,

(iv) Simplified method of computation of working capital,

(v) Mandatory acknowledgement of all loan applications and ensuring a running serial number to be recorded on the application from as well as on the acknowledgement receipt,

(vi) Banks are encouraged to start Central Registration of loan applications.